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SIPDIS

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [BG](#)

SUBJECT: ENERGY STATE MINISTER RESIGNS; CORRUPTION CITED AS CAUSE

Classified By: P/E D. Renz, Reason(s): 1.4(d)

11. (C) Summary: Prime Minister Zia demanded Energy Minister AKM Mosharraf Hossain's resignation amidst corruption charges of accepting a luxury car from an energy firm. Mosharraf defends himself saying that an energy partner properly provided the car to him and that "vested quarters" are out to get him. While policy disagreements and friction with the Prime Minister may have been the underlying cause, the BDG will likely use his resignation following corruption charges to "prove" it is committed to fighting corruption. End summary.

12. (U) On June 18, State Minister for Power, Energy and Mineral Resources, A.K.M Mosharraf Hossain, resigned at the request of the Prime Minister. The resignation followed press disclosures that Mosharraf received a luxury vehicle from a private Canadian firm, Niko Resources. Niko Resources is a partner with Bangladesh Petroleum Exploration Company (BAPEX), the Bangladeshi partner in the joint venture with Niko, and subsidiary of Petrobangla. At the time Niko provided the car to the State Minister, Mosharraf was ruling on liability for a gas blowout at facilities operated by the joint venture. Mosharraf subsequently absolved Niko of responsibility, laying the blame instead on BAPEX and its Managing Director.

13. (U) Mosharraf is the second minister in the BNP government to step down amid corruption charges. In March 2004, Commerce Minister Amir Khasru Chowdhury resigned after charges of nepotism and failure to ensure the stability of consumer market essentials.

14. (C) Mosharraf says his use of the car was authorized, citing BDG policy permitting senior officials to "commandeer" donor provided project vehicles when government vehicles are not available. In practice, this policy has resulted in the routine conversion of project vehicles to the de facto personal vehicles of senior officials. Mosharraf's case is different, however, because of the close nexus between the gift of the car for Mosharraf's use and Mosharraf's central role in ruling on liability for the gas blowout.

15. (U) Newspapers reported the corruption charges as the official reason for the resignation, but cited various other factors as the underlying cause: discontent from Khandker Shahidul Islam, Secretary to the Prime Minister, who had been removed from the energy ministry when he tried to take action against corrupt officials against Mosharraf's dictates; Mosharraf seemingly always siding with foreign companies to the disadvantage of Bangladeshi interests; his resistance to assuring 20 years of gas supply for the Indian TATA deal while advocating another deal to export gas to India; and his recent trip to Canada underwritten by Niko but ultimately paid for by Bangladeshi consumers, causing embarrassment to the government.

16. (C) Jatiya Party MP Ghulam M. Quader commented that Hossain's use of the car "was not a big crime" as he used the car for government business. "While he may be corrupt", the issue, Quader said, probably was elsewhere. Explaining that BDG decision making is highly centralized, he said Mosharraf as State Minister could not have acted without the concurrence of the Prime Minister's office, which would have demanded its share. Someone wanted a bigger share, he speculated.

17. (C) Comment: The BNP came to power promising to increase substantially electricity production, but has yet to bring new production on line. As the election approaches, the Prime Minister's office has become increasingly anxious to address the power deficit. Energy Ministry opposition to the Tata project and several other power projects with PMO support has created significant friction between the PMO and the Energy Ministry and led to the earlier replacement of the State Secretary for Power. While the corruption charges officially responsible for the resignation appear to have merit, the Energy Ministry's obstruction of PMO power projects may be a significant factor underlying the State Minister's resignation. Nonetheless, we expect the BDG will trumpet its actions as "proof" of its commitment to fight corruption.

THOMAS